

2015 LEAGUE OF WOMEN VOTERS OF KANSAS E-REPORT #4

Paul Johnson – January 30, 2015

STATE BUDGET SHORTFALL SCRAMBLE

The scramble is on to solve a \$279 million deficit in the 2015 budget and still pay all the necessary school funding and health care bills. The Kansas Budget Director Shawn Sullivan testified that the state's ending balances will not cover certain mid-February school finance transfers and medical bills. The Senate Ways & Means committee along with the House Appropriations committee must move quickly on Senate Bill 81 and House Bill 2133 next week to authorize certain transfers from the highway fund and other funds while cutting budgets for the Legislature and Judicial branch and delaying some state aid to school districts. Different bills will specifically address the timing and amount of state aid to public schools. While there was some discussion to integrate the 2015 budget reductions into a complete budget package for 2015, 2016 and 2017 fiscal years (FY), the necessity of paying bills and handling cash flow needs has scrambled the complete budget package. The ending balance for FY 2015 will be just \$70 million – 1.1% of expenditures. \$615 million of fund transfers, income tax adjustments, sin tax increases and revenue adjustments will be needed in 2016 to get an ending balance of \$84 million.

The blame game for this revenue mess has started and there is plenty of blame to go around. The Governor is now blaming the 2012 and 2013 Kansas Legislature for passing too generous income tax cuts without the necessary revenue adjustments from other sources. Towards the end of the 2012 Kansas legislative session, the Kansas Senate loaded up the tax bill with extra costly tax cuts assuming the Kansas House would refuse this 'Christmas tree tax package' and the two chambers would conference to find a compromise. The Kansas House Speaker called the Senate's bluff by cutting off any meaningful debate on the true cost of these tax changes and forcing his party to vote to accept this Senate package thus sending it to the Governor's desk. The Governor had the choice to not sign this bill until the full cost was known and provisions made to lessen the overall revenue impact. The Governor waited till 2013 to find other revenue sources such as the sales tax to cover some of the income tax revenue loss. The 'free lunch' tax package of 2102 was a done deal and other taxes or fees could not cover the loss of 30% of the state's revenue provided by the income tax.

As the scramble goes on to fix the 2015 budget, subcommittees of the Senate Ways and Means committee will start 2016/2017 budget deliberations next week for several agencies. The Senate Ways & Means Agriculture and Natural Resources Subcommittee will hold a one day hearing on February 3 on the Kansas State Fair and KDHE's Environment division. Possible recommendations could be finalized. On February 4, this Subcommittee will hold a one day hearing on the Kansas Water Office with possible recommendations. Presentations will be made by the agencies and legislative staff but no mention is made of any public testimony. This same rushed scenario of one day hearings and little if any public testimony by other Subcommittees

will handle the Board of Regents, Washburn University and the State Hospitals next week. Check the January 30 Senate Calendar for meeting times at www.kslegislature.org.

SCHOOL FUNDING FORMULA SAGA

To this point the Governor has not proposed school funding legislation to scrap the existing school funding formula, provide block grants for 2016 & 2017 based on 2015 funding levels and start the dialogue to develop a new school funding plan beyond 2017. While there will be a school funding total for 2016 and 2017 at just over \$3 Billion, a plan must be made to divide this amount among 295 school districts. Will changes in school enrollment impact this plan? What if any restrictions will be placed on school districts in regards to property tax increases? With this block grant comprised of general state aid, supplemental state aid and capital outlay aid, are there any limits on the use of the block grant? On Tuesday, February 3, the Senate Ways and Means Committee will possibly take final action on Senate Bill 71 that amends the calculation for supplemental state aid to school districts. According to the Kansas Association of School Boards, SB 71 reduces state aid to school districts by \$39.1 million this year. It will affect the less wealthy school districts more and result in a reduction in operating revenues after these school districts had finalized their operating budgets.

ELECTION AND ETHICS LEGISLATION

Senate Bill 77 increases candidate and lobbyist filing fees to shore up the fee fund at the Government Ethics Commission. These fees were last increased in 2000. In 1991, 27% of the Government Ethics Commission budget was fee funded. Today it is 49% fee funded and the fee fund itself has fallen from \$400,000 six years ago to \$55,000 today. These fee increases have passed the Kansas Senate but not the Kansas House.

Senate Bill 78 standardizes electronic filing of treasurer's reports for state-wide office candidates as well as for the house of representatives and the state senate. State wide candidates have been filing electronic treasury reports for six years. 43% of House members and 42% of Senators have been filing electronically. This bill standardizes the filing forms and allows electronic filing but does not mandate it. These reports are filed with the Secretary of State but monitored by the Government Ethics Commission.

Senate Bill 79 will reduce the number of times a constitutional amendment must be published from three times to once while posting the constitutional amendment on the Secretary of State's website along with the Governor's website. The cost of printing three times in one newspaper in each county for a constitutional amendment can run from \$70,000 to \$400,000 depending on the length of the amendment. In 2015, 6 constitutional amendments have been proposed and the total cost would be \$1.2 million. Questions were raised over rural internet service and access to websites. The Kansas Press Association opposed the bill and reminded the Senate Ethics and Elections Committee that these are amendments to our State Constitution.

WATER VISION IMPLEMENTATION AND LEGISLATION

Water legislation proposed by the Kansas Water Office (KWO), the Kansas Water Authority and the Kansas Department of Agriculture (KDA) from the 50 Year Water Supply Vision is starting to move in the Senate Natural Resources committee and the House Agriculture and Natural Resources committee. Along with the legislation and requests for full funding of the State Water Plan, KWO and KDA have established 14 hydrological regions for Kansas and appointed planning teams of nine residents for each region. These planning teams will assess their water supply options and their water needs for their region. These teams will hold meetings through April and provide a report to the Kansas Water Authority's May meeting. By summer the Governor will appoint a Blue Ribbon Task Force to review the work of the regional teams and the public input to the 50 Year Water Supply Vision. This task force will make specific recommendations to the Governor on action steps and funding options.

Senate Bill 36 & House Bill 2069 allows a water right user, who is enrolled in a 'multi-year flex account (MYFA)', to carry over a limited amount of groundwater usage into a subsequent MYFA. These accounts are over five years so an irrigator can vary their water usage yearly but not exceed their given water right. If at the end of five years, the irrigator has not used 20% of the water right, this can be rolled over to their next MYFA. This bill is primarily about water management not water conservation. There are roughly 35,000 water rights in Kansas and there are 1,000 MYFA's today.

Senate Bill 52 & House Bill 2059 allows the Chief Engineer at the Kansas Department of Agriculture Division of Water Resources to add augmentation as a tool to meet the needs of a senior water right should an impairment be found. A senior water right has standing over a junior water right. Present law considers a junior water right pumping, when a senior right is due the water, an unlawful diversion or impairment. This bill came from a decades old water battle between Quivira National Wildlife Refuge (QNWR) and upstream irrigators on the Rattlesnake Creek in south central Kansas. QNWR has very senior water rights and has filed an impairment claim against junior water right holders. Rattlesnake Creek is an intermittent stream that often runs dry in August and September due to crop irrigation. This area is in Groundwater Management District #3 and a comprehensive hydrological model of the entire district has been developed. The aquifer in this area is rechargeable by rainfall and extra water might be sustainably pumped to keep Rattlesnake Creek flowing in the summer without curtailing junior water rights. Details such as cost and design for this augmentation of water have yet to be worked out. As now written, these bills would allow augmentation statewide. These bills may be amended to apply only to the Rattlesnake Creek & QNWR situation.

KANSAS CITIZENS' UTILITY RATEPAYER BOARD (CURB)

CURB protects the interests of residential and small commercial utility ratepayers in utility rate cases before the Kansas Corporation Commission (KCC). CURB was created by the KCC in 1988 in response to the massive electric rate increases brought on by the overrun costs of the

Wolfcreek Nuclear Power Plant. (When started Wolfcreek was estimated to cost \$1 Billion but came in at \$3.6 Billion) CURB was made an independent agency by statute in 1991 and has the legal authority to appeal KCC orders to district court. Westar and Kansas City Power & Light have filed rate cases to recover \$1.2 Billion in costs to environmentally upgrade the La Cygne coal plant and Wolfcreek. Westar has had 20 rate increases since 2009 totaling \$539 million thus raising residential bills by 53%. Westar is requesting a 10.3% rate of return for stockholders. CURB is there to fight for a better balance of utility expenses and affordable utility rates.

CURB's webpage is <http://curb.kansas.gov/>. CURB publishes a quarterly newsletter called 'CURBside News' that details the issues and rate cases that CURB covers. In the December 2014 issue, CURB covers a filing by Westar to establish three energy efficiency programs that will cost \$15 million over three years. CURB has some real concerns on how these programs are administered and funded. On page 11, CURB covers the filing by Westar, KCP&L and KEPCO on the cost of retiring the Wolfcreek Nuclear Powerplant. Every three years, the KCC must consider these plans. Customers now using power from Wolfcreek are paying into a dismantlement plan. There are three options listed with one plan costing \$765 million, a second plan that costs \$1.03 Billion and a third plan of complete entombment on site that does not list a cost. CURB would happily put you on their email list.

LEGISLATIVE INFORMATION

There have been 123 Senate and 193 House bills filed <http://www.kslegislature.org/li/>.

Senate Natural Resources – Thursday February 5 at 8:30 am in Rm 159-S: Kansas Geological Director Rex Buchanan will report on seismic activity in oil/gas fields.

Senate Ethics and Elections – Wednesday February 4 at 9:30 am in Rm 159-S: SB 26 – campaign finance & spouses, SB 10 - cities; filling vacancies in governing body, SB 41 – absentee voting act for overseas citizens and out of state college students

Senate Ways and Means – Tuesday February 3 at 10:30 am in Rm 548-S: Possible final action on SB 71 – school districts; amending supplemental general state aid calculation

Senate Education – Tuesday February 3 at 1:30 pm in Rm 144-S: SB 2 – multi-year contracts to teachers, SB 32 – creating efficient operation of schools task force, SB 33 – creating Kansas education standards study commission (Note: these bills have had hearings so possible final action)

House Appropriations – Monday February 2 at 9:00 am in Rm 112-N: HB 2133 – 2015 budget bill: further amendments and possible final action

House Vision 2020 – Monday February 2 at 9:00 am in Rm 218-N: Hearing on HB 2045 by Representative Jim Ward to expand the Medicaid program in Kansas

House Education – Tuesday February 3 at 1:30 pm in Rm 112-N: HB 2028 – creating the Kansas education standards commission

House Elections – Monday February 2 at 1:30 pm in Rm 281-N: possible action on HB 2108 – elections; straight ticket ballots; Hearing on HB 2104 – elections; filling vacancies of nominations

House Agriculture and Natural Resources – Monday February 2 at 3:30 pm in Rm 346-S : HB 2069 – allowing carryover and a change application for place of use for multi-year flex water right accounts – Tuesday February 3 – HB 2063 – Amending the definition of project in the public water supply project loan program